

Texas Benefits from Stabilizing Energy Market

2019 will be another good year for the Texas economy characterized by organic growth, ongoing in-migration of both businesses and people, and stability in energy markets. 2019 state real GDP growth is forecasted to be a little stronger than 2018, however, the pattern is different. State GDP growth in 2018 got off to a relatively modest start in the first quarter and then improved rapidly as oil prices increased through the first nine months of the year. Oil prices reset in 2018Q4 and some energy companies reduced capital spending plans for 2019. In 2019 we expect state economic growth to moderate in the second half of the year as U.S. and global conditions cool. We look for oil markets to gradually tighten this year, but a cooler global economy will keep demand growth in check pushing the year-end price for WTI up to about \$60 per barrel. At that price, production will remain strong and pipeline and other energy infrastructure projects will continue to support state economic growth. Non-energy businesses will continue to find Texas a favorable location. Apple announced that they will build a new \$1 billion campus in North Austin, adding 5,000 employees to the 6,200 that they already employ in Austin. Dallas will also continue to expand as an IT hub, benefitting from being a large business-friendly location. Houston endured the back-to-back blows of a collapsing energy market in 2015 and a devastating hurricane in 2017 to post renewed strong job growth in 2018, averaging 9,300 net new jobs per month for the year. We expect job growth in Houston to ease in 2019 but remain a significant positive force for the state.

Texas Economic Outlook

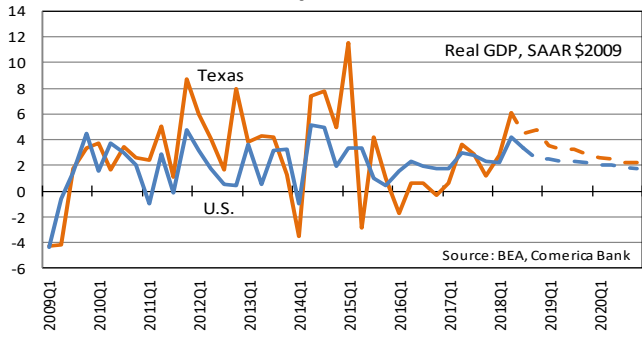
	2Q'18a	3Q'18a	4Q'18f	1Q'19f	2Q'19f	3Q'19f	4Q'19f	1Q'20f	2017a	2018f	2019f
State GDP											
Real GDP (Chained 2009 Millions \$)	1663771	1682030	1701660	1716466	1730238	1744028	1756598	1767858	1615555	1671755	1736832
Percent Change Annualized	6.0	4.5	4.8	3.5	3.2	3.2	2.9	2.6	1.3	3.5	3.9
Labor and Demographics											
Payroll Jobs (Thousands)	12543	12624	12713	12799	12872	12936	13001	13063	12224	12577	12902
Percent Change Annualized	3.8	2.6	2.9	2.7	2.3	2.0	2.0	1.9	1.8	2.9	2.6
Unemployment Rate (Percent)	4.1	3.9	3.7	3.5	3.4	3.3	3.2	3.2	4.3	3.9	3.4
Population (Thousands)	28702	28806	28910	29013	29116	29219	29322	29424	28369	28755	29167
Percent Change Annualized	1.4	1.5	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Net Migration (Thousands)	50.9	49.8	49.0	49.1	49.2	48.9	49.0	49.0	178.2	197.3	196.2
Personal Income											
Total Personal Income (Nom., Millions \$)	1400429	1416425	1432862	1451279	1469413	1488233	1507471	1526282	1340568	1408980	1479099
Percent Change Annualized	4.2	4.6	4.7	5.2	5.1	5.2	5.3	5.1	4.1	5.1	5.0
Housing											
Housing Starts (Total, Ann. Rate)	176663	176337	173923	175558	177223	178786	180412	181776	167127	175725	177995
Percent Change Annualized	1.6	-0.7	-5.4	3.8	3.8	3.6	3.7	3.1	1.7	5.1	1.3
SF Housing Starts (# of Units, Ann Rate)	125722	126288	124320	125420	126570	127642	128781	129781	118513	124727	127103
MF Housing Starts (# of Units, Ann Rate)	50941	50049	49602	50137	50653	51144	51631	51995	48614	50998	50891
Existing Home Sales (Ths. of Units, Ann Rate)	525	501	508	513	517	522	527	531	505	514	520
House Prices, FHFA (1991 Q1=100, SA)	288	291	294	298	302	305	309	313	272	289	303
Year/Year Percent Change	6.2	5.7	5.1	4.5	4.9	5.0	5.1	5.0	7.7	6.2	4.9
Bankruptcies											
Total Business (12 Months Ending)	2446	2499	2621	2585	2550	2529	2508	2491	2600	2586	2543
Total Personal (12 Months Ending)	31032	31165	31765	31529	31479	31430	31327	31293	32547	31376	31441

a = actual f = forecast

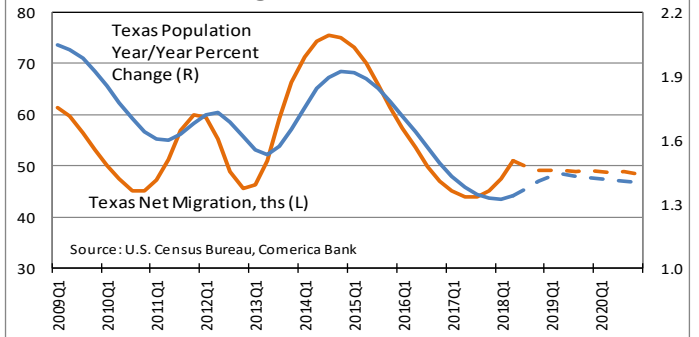
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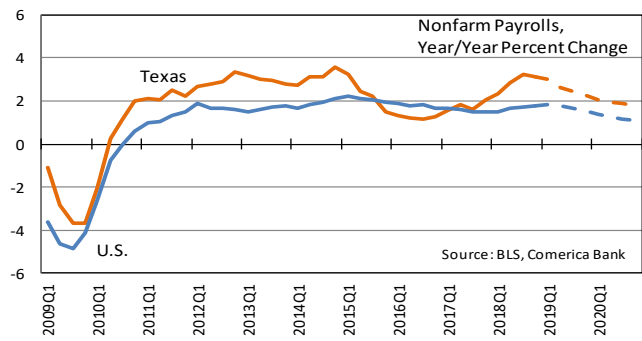
Texas Will Outpace the U.S. in 2019



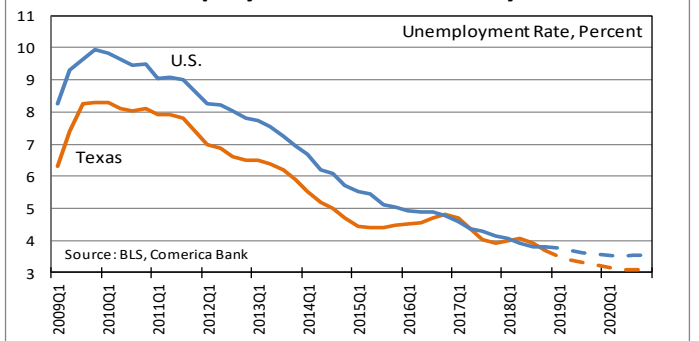
In-Migration Stabilizes



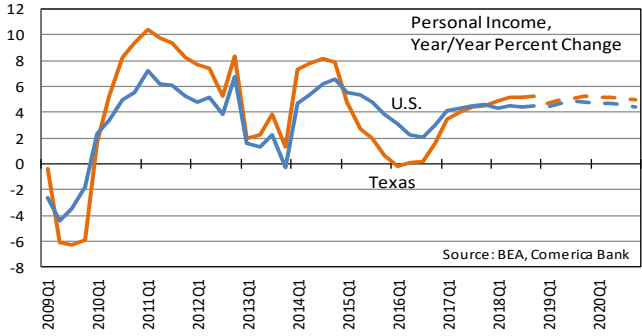
Job Growth to Ease



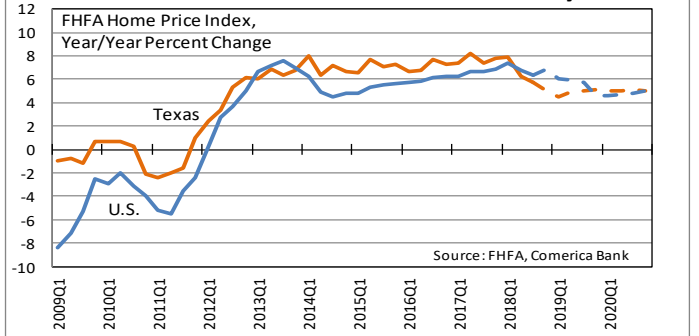
Unemployment Rate Will Stay Low



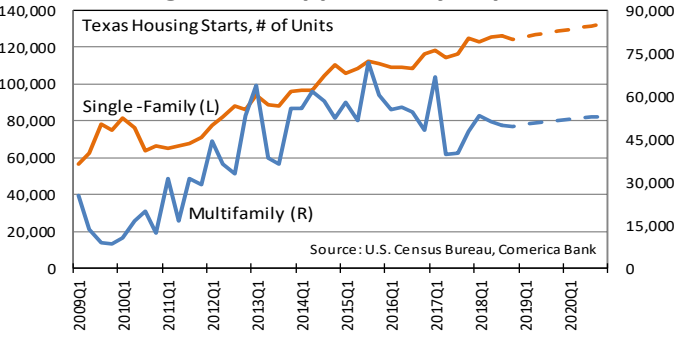
Income Growth Stays Strong



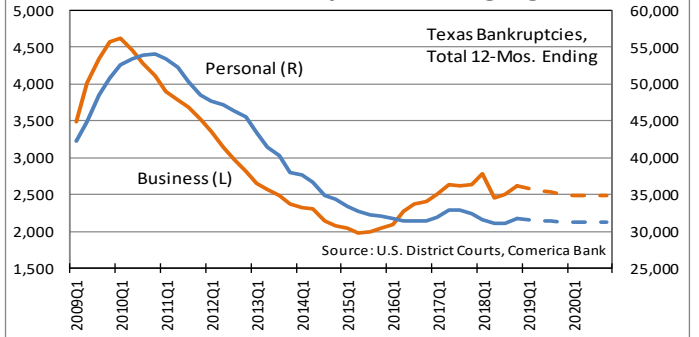
House Prices Increase More Slowly



Housing Starts Supported by Population



Business Bankruptcies Falling Again



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